

# **City of Westland, Michigan**

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## **Federal Awards Supplemental Information June 30, 2003**

# City of Westland, Michigan

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**Plante & Moran, PLLC**

Suite 200  
350 S. Main St.  
Ann Arbor, MI 48104  
Tel: 734.665.9494  
Fax: 734.665.0664  
plantemoran.com

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

We have audited the basic financial statements of the City of Westland, Michigan for the year ended June 30, 2003 and have issued our report thereon dated October 27, 2003. Those basic financial statements are the responsibility of the management of the City of Westland, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Westland, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 27, 2003

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## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

We have audited the financial statements of the City of Westland, Michigan as of and for the year ended June 30, 2003 and have issued our report thereon dated October 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City of Westland, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Westland, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Westland, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-1.

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 27, 2003

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

**Compliance**

We have audited the compliance of the City of Westland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The major federal programs of the City of Westland, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Westland, Michigan's management. Our responsibility is to express an opinion on the City of Westland, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westland, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Westland, Michigan's compliance with those requirements.

In our opinion, the City of Westland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

To the Honorable Mayor and  
Members of the City Council  
City of Westland, Michigan

## **Internal Control Over Compliance**

The management of the City of Westland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westland, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Westland, Michigan's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, item 03-2, to be a material weakness.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 27, 2003

# City of Westland, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:	14.218	N/A	
Program year 1997-B-97-MC26-0017			\$ 31,687
Program year 1998-B-98-MC26-0017			223
Program year 1999-B-99-MC26-0017			48,288
Program year 2000-B-00-MC26-0017			21,317
Program year 2001-B-01-MC26-0017			150,468
Program year 2002-B-02-MC26-0017			<u>1,283,004</u>
Total Community Development Block Grant			1,534,987
Home Investment Partnership Program	14.239	N/A	<u>385,036</u>
Total U.S. Department of Housing and Urban Development			1,920,023
Federal Emergency Management Agency - Assistance to Firefighters Grant Program for Fire Operations and Firefighter Safety - EMW-2002-FG-14938	83.554	N/A	142,520
U.S. Environmental Protection Agency:			
CSO Grant - Passed through Wayne County	66.unknown	N/A	26,424
River Rouge Wet Weather Demonstration Project			
Round II-B Grant Program - Passed through Wayne County	66.606	X-995743-04-0	141,352
River Rouge Wet Weather Demonstration Project			
Round II-A Grant Program - Passed through Wayne County	66.606	X-995743-06-0	<u>79,738</u>
Total U.S. Environmental Protection Agency			247,514
U.S. Department of Transportation - Railroad Advanced Warning System - Palmer and Cherry Hill at Newburgh - Passed through the Michigan Department of Transportation	20.205	RR-2767	2,448



# City of Westland, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Justice:			
Office of Justice Programs:			
Local Law Enforcement Block Grants - 2000-LB-BX-0685	16.592	N/A	\$ 2,579
Local Law Enforcement Block Grants - 2001-LB-BX-3997	16.592	N/A	94,611
Local Law Enforcement Block Grants - 2002-LB-BX-0465	16.592	N/A	<u>4,137</u>
Total Office of Justice Programs			101,327
Juvenile Justice - Passed through the Michigan Family Independence Agency:			
JABG-02	16.540	82028	24,674
JABG-03	16.540	82025 I	4,340
Title V	16.540	431N3002942	<u>1,075</u>
Total Juvenile Justice			30,089
Intensive Probation/Drug Court - Passed through the Michigan Department of Community Health - 2001-DB-BX-0026	16.579	391B2001284	<u>3,699</u>
Total U.S. Department of Justice			135,115
U.S. Department of Agriculture - Food Distribution	10.550	EFP-337-20	<u>11,240</u>
Total federal awards			<u><b>\$ 2,458,860</b></u>

# City of Westland, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Westland, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Loans Outstanding

The City had the following loan balances outstanding at June 30, 2003. Where required by OMB Circular A-133, these loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Amount Outstanding
B-99-MC-26-0017 - Section 108 Loan	\$ 490,000
B-98-MC-26-0017 - Section 108 Loan	205,000
Total outstanding	<u>\$ 695,000</u>

### Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 278,109
Home Investment Partnership Program	14.239	116,782

# City of Westland, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2003

### Note 4 - Reconciliation of Revenue

Revenue per schedule of expenditures of federal awards	<u>\$ 2,458,860</u>
Revenue per the basic financial statements:	
General Fund	\$ 277,636
Special Revenue Funds	1,922,470
Water and Sewer Funds	<u>247,514</u>
Revenue per basic financial statements	2,447,620
Noncash assistance not recorded in the basic financial statements	<u>11,240</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,458,860</u>

# City of Westland, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2003

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?   X   Yes \_\_\_\_\_ No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

# City of Westland, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

### Section II - Financial Statement Audit Findings

Reference Number	Findings
03-1	<p><b>Finding Type</b> - Reportable condition</p> <p><b>Condition</b> - The City did not record transactions into a general ledger system or prepare bank reconciliations for the last six months of the year for two of the component units of the City, the LDFA (Local Development Finance Authority) and the TIFA (Tax Incremental Finance Authority).</p> <p><b>Description</b> - In order to maintain adequate internal control, proper financial reporting must be followed. We recommend, and the City of Westland, Michigan concurs, that the transactions of the component units will be properly recorded, processed, and summarized on a consistent basis.</p>

### Section III - Federal Program Audit Findings

Reference Number	Findings
03-2	<p><b>Program Name</b> - Home Investment Partnership Program</p> <p><b>CFDA Number</b> - 14.239</p> <p><b>Pass-through Entity</b> - U.S. Department of Housing and Urban Development</p> <p><b>Finding Type</b> - Reportable condition and material weakness</p> <p><b>Criteria</b> - In order to ensure compliance with reporting requirements that the reports of federal awards submitted to the federal awarding agency include all activity of the reporting period, are supported by underlying accounting records, and are fairly presented in accordance with program requirements, the financial information included in the reports to federal awarding agencies should be reconciled to the general ledger balances on a timely basis.</p> <p><b>Condition</b> - The City does not have adequate oversight controls in place to ensure that the drawdown requests are reconciled to the general ledger.</p> <p><b>Questioned Costs</b> - None</p>

# City of Westland, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2003

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
	<p><b>Cause/Effect</b> - In testing of the Home Program, we noted expenses that were not recorded on the City's books, or recorded on the books in different periods than were included in drawdown requests. Adjustments were made at year end to match the general ledger to the drawdown requests during the current period.</p> <p><b>Recommendation</b> - We recommend, and the City of Westland, Michigan concurs, that procedures be implemented to ensure that reporting requirements are met. These procedures include timely reconciliations between drawdown requests and the general ledger balances.</p>

# City of Westland, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2002

Prior Reference Number	Prior Audit Findings - Fiscal Year Ended June 30, 2002
02-I	<p><b>Program Name</b> - Landscaping work along Ford Road and Railroad Advanced Warning System</p> <p><b>CFDA Number</b> - 20.205</p> <p><b>Pass-through Entity</b> - Michigan Department of Transportation</p> <p><b>Finding Type</b> - Reportable condition</p> <p><b>Criteria</b> - In order to ensure compliance with the Davis-Bacon Act, job site interviews should be performed and reconciled to certified payroll lists to ensure that prevailing wages of the locality are being paid.</p> <p><b>Condition</b> - The City does not have adequate oversight controls in place to ensure that the Davis-Bacon Act requirements are met in circumstances where the City transfers responsibility for compliance with the regulations to a third party.</p> <p><b>Corrective Action Plan</b> - The City issued a corrective action plan in December 2002, which stated the Department of Public Services Director and/or the Economic Development Director have responsibility for monitoring third party's procedures related to Davis-Bacon compliance. The corrective action plan was signed by both the DPS Director and the Economic Development Director.</p> <p><b>Finding Resolution</b> - The projects related to this finding were completed in the prior year; therefore, audit testing related to these programs was not required for the year ended June 30, 2003. There were no findings related to Davis-Bacon compliance in the programs that were audited as major during the year ended June 30, 2003.</p>

# City of Westland, Michigan

## Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2002

Prior Reference Number	Prior Audit Findings - Fiscal Year Ended June 30, 2002
02-2	<p><b>Program Name</b> - Home Investment Partnership Program</p> <p><b>CFDA Number</b> - 14.239</p> <p><b>Pass-through Entity</b> - U.S. Department of Housing and Urban Development</p> <p><b>Finding Type</b> - Reportable condition and material weakness</p> <p><b>Criteria</b> - In order to ensure compliance with reporting requirements that the reports of federal awards submitted to the federal awarding agency include all activity of the reporting period, are supported by underlying accounting records, and are fairly presented in accordance with program requirements, the financial information included in the reports to federal awarding agencies should be reconciled to the general ledger balances on a timely basis.</p> <p><b>Condition</b> - The City does not have adequate oversight controls in place to ensure that the drawdown requests are reconciled to the general ledger.</p> <p><b>Corrective Action Plan</b> - The City issued a corrective action plan in December 2002, which stated the City of Westland's controller has responsibility for reconciling the drawdown requests to the general ledger on a quarterly basis. The corrective action plan was signed by the City's finance director and controller.</p> <p><b>Finding Resolution</b> - The finding was not corrected during the current audit year. See Finding 03-02 in the schedule of findings and questioned costs, June 30, 2003.</p>